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UNCLAS SECTION 01 OF 04 DUSHANBE 001407

SIPDIS

STATE FOR SCA/CEN (HUSHEK)
INL/AAE (BUHLER)
JUSTICE (DUCOT AND NEWCOMBE)
DEFENSE FOR OSDP/P

E.O. 12958: N/A

TAGS: [EFIN](#) [PGOV](#) [SNAR](#) [KCRM](#) [TI](#)

SUBJECT: TAJIKISTAN: 2008-2009 INTERNATIONAL NARCOTICS CONTROL STRATEGY REPORT, PART II

General

¶1. Is the jurisdiction considered an important regional financial center?

1A. Tajikistan is not a major financial center in the region and its banking system is still developing. Prosecutions for financial criminal activity are unusual. In 2008, authorities did not prosecute or convict anyone for significant financial crimes.

¶2. Do the criminal proceeds laundered in the jurisdiction derive primarily from domestic or foreign criminal activity?

2A. Tajikistan has a weak formal economy, with growth fueled largely by foreign remittances from up to one million Tajik migrant workers in Russia. In 2008, official remittances entering Tajikistan via the banking system are projected to reach nearly \$2.5 billion. The remittances form a significant portion of Tajikistan's 2008 \$4.8 billion Gross Domestic Product, up from \$3 billion in 2007. While the bulk of remittances enter the country via the formal banking system, these funds do not remain in the banking system, as individuals usually keep savings in cash, invest in property, or spend money on consumer purchases. It is unknown what percentage of remittances comes from legal versus illicit sources on income.

¶3. Is there a significant black market for smuggled goods in the country? If so, is there evidence to suggest that it is significantly funded by narcotic proceeds or other illicit proceeds?

3A. Domestic goods smuggling occurs in Tajikistan. Consumer goods, mostly apparel and low-cost household appliances, are smuggled to avoid customs duties and local taxes. There are several schemes for smuggling goods into the country. In most cases, goods such as tobacco, alcohol, and fuel are not "officially" imported to Tajikistan. For example, a shipment nominally intended for Kazakhstan transiting Tajikistan never reaches Kazakhstan. The same practice occurs with goods nominally intended for Afghanistan. While there is certainly a market for smuggled goods, there is little evidence that most items are financed with narcotics money, with the exception of imported cars and other luxury items.

3B. Drug traffickers can sell drugs outside the country, buy goods with the proceeds (or simply exchange drugs for goods), import the goods into Tajikistan, and sell them. Such a scheme occurred a few years ago with Russian automobiles Q the traffickers sold the cars in Tajikistan at prices even lower than in Russia.

¶4. Is the country considered an offshore financial center?

4A. Tajikistan is not an offshore financial center. There are no offshore companies or banks in Tajikistan. Existing legislation does not favor offshore banks and financial centers. There are foreign banks in Tajikistan, including an Iranian bank.

4B. While concluding deals with foreign enterprises businesses often use offshore zones. Tajikistan's largest commercial companies such as the management arm of the state-owned aluminum producer TALCO, and CDH International, the alumina supplier to TALCO, are connected to President Rahmon and are registered in the Virgin Islands or other offshore zones.

¶5. Are there free trade zones operating in the jurisdiction? If so, please give the number and name, and briefly describe their operations, capability and function?

5A. In 2008, the President signed a resolution creating the free economic zones "Panji Poen FEZ" and "Sugd FEZ" which will operate Qeconomic zones "Panji Poen FEZ" and "Sugd FEZ" which will operate for 25 years. "Panji Poen FEZ" is in the Kumsangir district of Khatlon Region in southern Tajikistan. It will cover 400 hectares (988 acres)and focus on processing agricultural products and livestock.

5B. "Sugd FEZ" in Khujand area of northern Tajikistan will total 320 hectares (791 Acres)and will focus on increasing production capacity by building new plants and factories and attracting innovative technologies. The Government announced the establishment in the near future of an additional FEZ in Ishkashim to create a trade zone in Gorno-Badakshan, and another in Khatlon to improve agricultural trade.

Laws and Regulations to Prevent Money Laundering

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¶6. What laws and regulations exist in relation to AML/CTF? Is money laundering a criminal offense in this jurisdiction? Does the law apply only to drug-related money laundering?

6A. Tajik law prohibits money laundering. This prohibition includes not only narcotics money laundering, but also circumvention of other financial currency controls (for example, unlawful transferring of currency into offshore zones, usage of charities, insurance companies, etc., to transfer funds and avoid complying with the law).

¶7. Has the country enacted secrecy laws that prevent disclosure of client and ownership information by domestic and offshore financial services companies to bank supervisors and law enforcement authorities?

7A. Banks are not required to know, record, or report the identity of customers engaging in significant transactions unless authorities opened criminal proceedings against a specific individual or organization. Some civil proceedings can also trigger this scrutiny. For example, in civil or administrative proceedings, a court can request information about accounts or the nature and value of property kept in banks, or request information, which is considered a "bank secret" in cases when the bank's client represents one of the sides in the criminal case.

¶8. Are banks and other financial institutions required to know, record, and report the identity of customers engaging in significant transactions, including the recording of large currency transactions at thresholds appropriate to the country's economic situation? What is the statutory threshold?

8A. Banks and other financial institutions are not required to maintain records to reconstruct financial activity. Financial institutions make no regular reports of transactions or other activity, and reporting officers have no special legal protections with respect to cooperating with law enforcement. There is no legal mechanism to insure law enforcement access to the information related to illegal financial operations, such as money laundering, corruption, terrorism financing or other crime.

¶9. Are there statutory requirements for limiting or monitoring the cross-border transportation of currency and monetary instruments?

9A. The "Law on Banking Activity" prevents disclosure of client and ownership information to bank supervisors and law enforcement authorities for domestic and offshore financial services companies. While Tajikistan has not yet addressed the problem of international transportation of illegally-sourced currency and monetary instruments, and has a long way to go to meet "due diligence" standards, it has instituted cross-border currency reporting requirements.

9B. In accordance with the "Joint Order of the National Bank and the Ministry of State Revenues and Duties", Tajik travelers may depart with a maximum amount of \$3,000 without registering it in the customs declaration. Tajiks, can depart with amounts up to \$10,000 with a customs declaration. Foreigners may depart with a maximum of \$3000 without a customs declaration. When the amount exceeds \$3,000 a foreigner must present documents of origin, customs declaration, source of money, provide reasons why he has the funds, justify where he is going to take it, and prove which bank which gave him the funds. Travelers may enter Tajikistan with unlimited quantities of Qfunds. Travelers may enter Tajikistan with unlimited quantities of cash.

¶10. Are the AML/CTF controls applied to non-bank financial institutions (NBFIs) and designated non-financial businesses and professions?

10A. Money laundering controls are applied to all financial institutions, including exchange offices, brokerages, etc., that are licensed by the National Bank and subject to the same laws as banks. There have been no arrests or prosecutions for money laundering or terrorist financing since January 1, 2002.

Terrorist Finance

¶11. Has the jurisdiction criminalized the financing of terrorism as required by the UN International Convention for the Suppression of the Financing of Terrorism?

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11A. Tajikistan has criminalized terrorist financing, as covered by the above-mentioned general money laundering statute. Tajik authorities consider terrorist finance "serious crime." There were no reported cases of authorities freezing suspected terrorist assets in 2008 because authorities did not discover any terrorist assets.

11B. Tajikistan adopted several laws including the Civil Code, Article 284-Illegal Transactions with Precious Metals, Gems and Gold Q to address the misuse of gold, precious metals and gems.

¶12. Does the jurisdiction acknowledge the existence and use of value transfer systems that bypass, in whole or part, the formal financial system?

12A. The government has not addressed alternative remittance system. Tajikistan is a party to the 1999 International Convention for the Suppression of the Financing of Terrorism. Tajikistan signed the Convention in November 2001 and ratified it in October 2004. Remittances from labor migrants who are mainly in Russia and other CIS countries are seasonal. The government waived a 30% fee on bank transfers, making remittances sent via banks more effective.

International Cooperation

¶13. Has the country adopted laws or regulations that allow for the exchange of records with the United States?

13A. Tajikistan and the U.S. Government have agreed to exchange records in connection with investigations and proceedings relating

to narcotics, terrorism, terrorist financing and other serious criminal investigations, and negotiations are currently underway regarding specific law enforcement cooperation. The U.S. Government regularly sends information regarding designated individuals and organizations subjected to asset forfeiture to the Tajik Ministry of Foreign Affairs (MFA). The MFA distributes this information to the State Committee for National Security, Ministry of Finance, Ministry of Internal Affairs, and other ministries that conduct appropriate checks.

13B. Tajikistan has not adopted laws or regulations that ensure the availability of adequate records in connection with narcotics, terrorism, terrorist financing or other investigations. USAID has contractors who work to improve the banking sector and to date these contractors have good access into Tajik banks and accounting systems.

13C. The International Monetary Fund is currently auditing the Tajik National Bank for misreporting currency reserves under a previous loan which requires auditing of the National Bank and two major state-owned enterprises.

¶14. Is the country a party to the UN International Convention for the Suppression of the Financing of Terrorism or other applicable agreements and conventions?

14A. In spite of a primitive banking system and the use of a barter system in many rural areas, Tajikistan has entered into several international agreements and acceded to international conventions. Tajikistan signed the UN Convention for the Suppression of Financing of Terrorism, the CIS Agreement on the Legal Assistance and Cooperation on Civil, Family and Criminal Cases of January 22, 1993, and is a member of the CIS Antiterrorism Center.

Asset Forfeiture and Seizure Legislation

¶15. Has there been seizure and forfeiture of assets?

15A. The Tajik Government passed Article 57 of the Criminal Code, which states that asset forfeiture is possible but the article also specified exceptions. On March 20, 2008, the Tajik Parliament specified exceptions. On March 20, 2008, the Tajik Parliament adopted the "Law on Executive Proceedings" that enables asset-seizure mechanisms. In previous years, the Drug Control Agency worked to gain authority to utilize this law as a means of achieving self-sustainability. The Government, primarily the Prosecutor General's Office did not support the program.

15B. In 2008 authorities used asset forfeiture procedures in the case against Maruf Oripov, the owner of the M&P Company and "ORIMA," Tajikistan's largest grocery store chain. Oripov faced charges under three articles of Tajikistan's Criminal Code: giving bribes;

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tax evasion and forgery. The Court sentenced him to eight years of imprisonment and property forfeiture. Law enforcement detained Oripov in July 2007 when he was trying to give \$10,000 in bribe to a State Committee for National Security investigator. Inspections carried out by the National Security economic section in July revealed that more than 1,500 tons of confectionery and other products beyond their shelf life were stored in the M&P warehouses in Dushanbe.

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